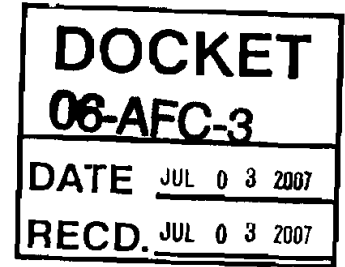


CALIFORNIA ENERGY COMMISSION

1516 NINTH STREET
SACRAMENTO, CA 95814-5512
www.energy.ca.gov



July 3, 2007



Kevin R. Johnson
Vice President
LS Power Generation, LLC
1735 Technology Drive, Suite 820
San Jose, CA 95050

Re: **South Bay Replacement Project (06-AFC-3) Status**

Dear Mr. Johnson:

Thank you for your letter of June 13, 2007, in response to Bill Pfanner's letter of March 19, 2007, requesting LS Power respond with its intentions regarding the South Bay Replacement Project.

As you are aware, Energy Commission staff ceased working on the South Bay project in March, following the applicant's cancellation of the Air Quality public workshop scheduled for late February, 2007. Your letter indicated that you are considering other sites for a project. However, it remains unclear from your letter as to when you will be making a determination on how LS Power will proceed with its current application. If no new information is received in the next few months, staff will be requesting a Committee status conference in mid-September to determine whether the application should be placed in formal suspension or terminated.

In a final note, if the applicant does propose a project on a new site, it would be our expectation that a new Application for Certification would be filed.

Sincerely,

Terry O'Brien
Deputy Director
Energy Facilities Siting